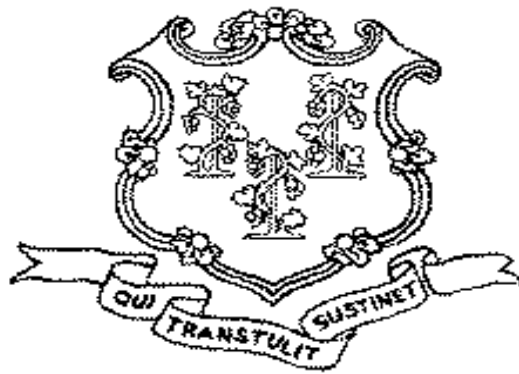


**REQUEST FOR PROPOSALS**

**FOR**

**The Housing Trust Fund**

**PROGRAMS**



**Key Dates:**  
**Announcement of RFP: Sunday, March 12, 2006**  
**General Information Session: Wednesday, March 15, 2006**

**A Public Solicitation Made by the**  
**State of Connecticut, Department of Economic and Community Development**  
**for activities to carry out the administration of programs under the Housing Trust Fund**

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The **Housing Trust Fund or "HTF"** was created to: (1) Encourage the creation of housing for homeownership at a cost that will enable low and moderate income families to afford quality housing while paying no more than thirty per cent of gross household income on housing, (2) promote the rehabilitation, preservation and production of quality, well-designed rental and homeownership housing affordable to low and moderate income families or persons, (3) maximize the leveraging of state and federal funds by encouraging private sector investment in housing developments receiving assistance, (4) encourage housing that maximizes housing choices of residents, (5) enhance economic opportunity for low and moderate income individuals and their families, (6) promote the application of efficient land use that utilizes existing infrastructure and the conservation of open spaces, and (7) encourage the development of housing which aids the revitalization of communities.

### **I. Eligible Applicants**

The HTF has been structured to ensure that many different types of organizations are eligible to receive financing. Eligible applicants in good standing include: nonprofit entities; municipalities; housing authorities; business corporations incorporated pursuant to chapter 601 having as one of its purposes the construction, financing, acquisition, rehabilitation or operation of affordable housing, and having a certificate or articles of incorporation approved by the commissioner; any partnership, limited partnership, limited liability company, joint venture, sole proprietorship, trust or association having as one of its purposes the construction, financing, acquisition, rehabilitation or operation of affordable housing, a municipal developer, any community development financial institution; and the Connecticut Housing Finance Authority (CHFA); or any combination thereof.

### **II. Eligible Activities**

The purpose of the HTF is to support the creation or preservation of housing that is affordable to people with incomes that do not exceed 120% of median income, as defined by HUD and amended from time to time. HTF funds will be focused on those activities that create, preserve or acquire housing throughout the State for the benefit of those households. HTF funds may also be used for the modernization, rehabilitation and repair of state-assisted housing.

### **III. Types of Assistance**

Funds from the HTF may be used to support the acquisition, development or preservation of affordable housing units. These funds may be used flexibly to ensure the financial feasibility of the projects. A wide range of financial assistance is available from the HTF, including but not limited to:

- Predevelopment loans
- Appraisal gap financing – owner-occupied single-family (1-4 units)
- Revolving loan funds
- Deferred payment loans
- Low or no interest amortizing loans

- Loan guarantees
- Down payment and closing-cost assistance for first-time homebuyers
- Credit enhancements and mortgage insurance guarantees
- Grants when projects can not support deferred payment loans

This list is meant to be illustrative, but not exhaustive, of possible types of assistance provided through the HTF. The level and type of assistance provided by the HTF to a specific project must be the minimum amount necessary to achieve the desired degree of affordability.

#### Third Party Administrators

At the sole discretion of the Commissioner of DECD, Eligible Applicants may act as third party administrators and may carry out some of DECD's duties upon entering into contract(s) with DECD. In such case(s), the Eligible Applicants will be selected through a competitive process.

#### **IV. Underwriting Criteria**

Projects must meet the underwriting criteria adopted from time to time by the DECD for housing financed with Bonds issued pursuant to the HTF or other DECD funded programs.

In instances where HTF funds are provided as "gap" funding, the applicant must show that it has: maximized all available tax credits (based on eligible basis), and all available public and/or private financing. The gap should exist owing to the depth of income targeting or by other reasonable explanations that makes the project infeasible without an additional subsidy.

The following underwriting standards apply to DECD funded projects including homeownership projects. **When CHFA, HUD, the USDA, the FHLB, CDFI Alliance, Fannie Mae and any other entity whose underwriting standards have been approved by DECD and have a financial interest greater than DECD, then their underwriting standards may take precedence over DECD's.** However, this does not preclude DECD from performing a separate analysis for any activity. For all other projects where DECD has a financial interest, DECD's underwriting standards shall apply and they are as follows:

#### **Underwriting Standards - Rental or Quasi-Ownership Properties**

The following underwriting standards indicate the degree of risk associated with providing permanent financing. These standards may be revised as market and economic conditions dictate.

1. Maximum Loan Amount - The maximum permissible loan for all projects shall be equal to the lower of the following based on market, location, and other conditions:
  - An amount based on applicable statutory limits;
  - An amount based on the loan to value ratio;

- An amount based on the debt service coverage ratio; or
  - The annual debt service divided by the applicable annual loan constant.
2. Debt Service Coverage Ratio-
    - The minimum coverage for all uninsured projects is 1.15. FHA-insured loan - 1.10 or FHA standard, whichever is higher; non-residential space - 1.20 relative to the net income;
    - DECD may require a separate Operating Deficit Letter of Credit or an Operating Deficit Reserve (non-DECD funds) when a developer does not meet the debt service coverage ratio.
  3. Determination of Value-
    - The market value established in the "as-is" appraisal shall be one consideration of facts and circumstances used to determine the value to be financed for the real property. The appraisal shall be in a form and manner acceptable to DECD
    - The "to-be-developed" value using the market and income approaches may be used to determine the potential underwriting risk.
  4. Loan to Value Ratio (LTV) - The loan to value ratio shall not exceed eighty (80%) percent of the lesser of the appraised market value or total replacement cost. This ratio may be increased to ninety (90%) percent if it is in the best interest of the State. This requirement may be modified or exempted for not-for-profit developers.
  5. Total Development Cost - The total development cost shall be evaluated based on reasonableness.
  6. Loan Term and Rate - When DECD and CHFA financing is involved, the loan term shall be coterminous. The interest rate may be fixed or variable to the extent feasible or if it is in the best interest of the state.
  7. Developer's Equity - An Owner shall have a minimum continued financial interest in the development of at least two (2%) percent of total development cost for no less than ten (10) years. This requirement may be modified or exempted for not-for-profit developers.
  8. Return on Equity -
    - The Owner's equity in a development shall consist of the difference between the total amount of certified project costs whether or not such cost has been paid in cash or in a form other than cash and the total amount of mortgage and/or grant proceeds.
    - Return on equity shall be subject to an agreement between the DECD and the Owner limiting the Owner, and its principals or stockholders to a return on the Owner's equity in any development assisted by DECD. To the extent economically

feasible, the cumulative cash return on equity shall be no greater than 10% per annum.

- To the extent economically feasible, the cumulative cash return on equity shall be increased by up to an additional 2% for developments in areas designated as regional centers and neighborhood conservation areas as defined in the State Plan of Conservation and Development.

9. Developer's Fee – A developer's fee shall not exceed 10% of total development costs less cost of acquisition. When State Bond funds will be used to pay for a developer's fee, then the State Developer's Fee Regulations shall apply. When the developer's fee is paid from Federal HOME funds, the following schedule applies: 25% of the fee shall be paid at construction contract; 75% of fee shall be paid upon completion of initial rent-up in accordance with projections.

If actual total project costs exceed the budgeted TDC then the developer's fee must be used to defray the additional costs.

10. Administrator's Fee (Programs only) - An Administrator's fee shall not exceed 10% of the Total Development Cost.

11. Bridge Loan Financing -

- All sources of funds shall be available to the development prior to execution of a contract for DECD financial assistance. Funds derived from the syndication of Low Income Housing and/or Historic Tax Credits shall be available either from the syndication proceeds or bridge loan financing in an amount and manner satisfactory to the DECD. The interest cost of financing the developer's fee shall not be recognized.
- This requirement may be modified or exempted for not-for-profit developers.
- HTF funds may be provided as interim bridge financing only for non-profit applicants.

12. Syndication Costs – The costs of syndication shall not exceed a rate acceptable to the DECD based on fees as a percentage of syndication proceeds. Syndication costs include all direct and indirect costs incurred in securing syndication proceeds, excluding any fee paid to the syndicator.

13. Rent Limitations – Gross rents shall be set at a) HOME Program limits OR b) determined by market analysis and the ability to serve specified income groups, not to exceed 120 % AMI.

14. Income Trends – To determine the loan limitation, income shall be forecast on an annual basis to the stabilized year as determined by the DECD based on relevant information, including Consumer Price Index (CPI) and other indices.

Non-residential space income shall be determined by the market study. Presently use 2%.

15. Expense Trends -

- To determine the loan limitation, expenses shall be forecast on an annual basis to the stabilized year as determined by the DECD based on relevant information, including CPI and other indices. Presently use 3%.
- The only acceptable sources to lower tax trends shall be tax abatement and/or deferment agreements approved by the governing body of the municipality.

16. Vacancy Assumptions -

Residential Properties - the vacancy rates shall be based on the percentage of the Area Median Income (AMI) of the intended tenant population as of the stabilized year (if multiple AMI, then blend rates):

AMI	Vacancy Rate
0 - 50%	2.5 - 5%
51- 80%	5.0 - 10%
+ Year 1	10 - 15%
Year 2	10 - 12%
Year 3	+10%

- Non-residential Properties - (when part of mainly residential project)

Year 1	20%
Year 2	15%

Assumption only. May be adjusted based on independent market analysis.

17. Reserve for Replacement -

- The project shall establish a reserve for replacement account that shall maintain an allowance sufficient for repair, replacement and maintenance depending on the type and location of housing in a form and manner acceptable to DECD. For the first year of operation use \$90 per unit per month for families and \$55 per unit per month for elderly.
- Reserve for Replacements plus any interest or other earnings thereon shall at all times remain with the project, even with changes in ownership.
- **For local housing authorities projects only**, for subsequent years, the annual amount is to be established based on a Life Cycle Cost Analysis of the useful life of all major building systems.

18. Cost Certification - The Owner's and the general contractor's cost certification is required and must be submitted.

19. Restrictive Covenant - All projects will have a restrictive covenant identifying all DECD compliance requirements.

20. Funding Increase – When considering a funding increase the DECD shall use the same standards and criteria used to approve the original financing request.

### **Underwriting Standards – Ownership Properties**

The following single-family (1-4 units) underwriting standards indicate the degree of risk associated with providing permanent financing. These standards may be revised as market and economic conditions dictate.

1. Both development subsidy and buyer subsidy may be made available under the program
2. Home ownership projects must ensure that the buyers housing costs (principal, interest, taxes, insurance, mortgage insurance, condo fees) relative to income meet affordability guidelines.
3. Housing Trust Funds will take no less than 3<sup>rd</sup> mortgage position
4. Restrictive Covenants: deed restrictions will be placed on the property to ensure long-term affordability.

### **V. Allocation Process And Criteria**

#### **1. Set-Aside Allocations**

DECD will allocate HTF funds to:

- Department of Labor a sum of three hundred thousand (\$300,000) dollars for funding matching grants to be dedicated to funding purchases of primary residences pursuant to the provisions of Sections 31-51ww to 31-51eee, inclusive, of the Connecticut General Statutes; and
- 10% of the funds would be reserved for the Commissioner to award to applications at his discretion that met one of the following three criteria: 1) applicants that had applied to DECD and/or CHFA with projects that were deeply targeting low income families, 2) applicants with projects that were at risk of losing funding if they did not receive an allocation from the Trust Fund, or 3) projects that could begin construction sooner if they received funding.

#### **2. Competitive Process**

DECD will allocate financial assistance at least semi-annually on a competitive basis based upon the selection criteria and application ranking procedures set forth below. All applications will be reviewed and rated against selection criteria and must receive a minimum score of 70. Applicants who do not receive a minimum score of 70 will receive a letter of rejection and may re-submit during subsequent competitive processes.

### **VI. Application Procedures**

Applicants seeking a combination of DECD HTF funding leveraged with other governmental agencies are required to submit copy(s) of applications submitted to each governmental agency. Each governmental agency shall certify to DECD that



the application has been reviewed and satisfactorily meets that funder's underwriting standards. DECD will, to the extent practicable, underwrite the project, make a determination of whether the project is ready to proceed, confirm that the development has a financing gap that requires HTF funding.

A person or entity, or an affiliate of a person or entity that is not in good standing may not file applications. An applicant is not in good standing if it:

- (a) Has at any previous time been delinquent on any State obligations or obligations of the State's quasi-public agencies such as the Connecticut Housing Finance Authority, Connecticut Development Authority (CDA), Connecticut Innovations, or obligations of the U.S. Department of Housing and Urban Development (HUD), United States Department of Agriculture (USDA) etc. for twelve (12) or more consecutive months;
- (b) Has been in non-compliance for three (3) or more months within the most recent twelve-month period;
- (c) Has been in non-compliance during any month within the most recent six-month period;
- (d) Has been in noncompliance with CHFA's Federal Low-Income Housing Tax Credit Program Compliance Monitoring, where such noncompliance is significant and has remained uncorrected for a period exceeding six (6) months, or by persons or entities that have a history of repeated noncompliance, unless specifically approved by CHFA's Board of Directors; or
- (e) Has failed to comply with the terms of any extended low-income housing commitment for a development they previously sponsored or developed.

The general and limited partners for partnerships and for all applicants, the management agent proposed as a member of the development team must disclose on a form provided by DECD, any finding of a violation of any Federal or State laws or regulations pertaining to fair housing, housing accessibility, or non-discrimination in the areas of ownership and rental housing. Such finding shall be by a Federal or State court, or a Federal or State agency, having authority and jurisdiction to make such finding. This disclosure is to be provided under penalty of false statement. Applicants disclosing such findings of violations or convictions must obtain a waiver from the Commissioner or his designee in order to apply.

Finally, all applicants must sign the appropriate disclosure notice pursuant (Appendix F) to Executive Order #7B regarding any items of value provided to DECD employees for which full payment has not been made.

## ATTACHMENT A

### VII. Proposed Housing Trust Fund Priorities for Funding

Priority (Tier)	Goal	Geography	Project Type	Income Levels	Bonus Score for:	Max per unit subsidy
I	Expand housing choice by creating and financing affordable housing in high cost and high income areas	Areas where average housing cost exceeds what median income family can afford	Rental	30% of median or less	Linkage to human services; proximity to transportation; long term affordability	\$75,000
I		Priority on communities where affordable housing supply is less than 10%			Energy efficiency, transit-oriented design, open/space farmland preservation; cluster housing	
I				80% of median or less	Energy efficiency, transit-oriented design, open/space farmland preservation; cluster housing	\$50,000
I			Affordable homeownership	50-100% of AMI	Priority for 1 <sup>st</sup> time buyers; complementary homeownership training; long-term affordability	\$50,000
I					Energy efficiency, transit-oriented design, open/space farmland preservation; cluster housing	
I			Mixed Use	50-100% of AMI on residential	Location in neighborhood commercial corridor or downtown; creation of permanent CT jobs; creation of community facilities	\$50,000
I					Energy efficiency, transit-oriented design, open/space farmland preservation; cluster housing	
I	Create and finance housing that promotes community revitalization in low and moderate income areas	Urban Centers; low and moderate income rural town centers	Homeownership	Up to 80% of AMI	Rehabilitation of vacant and/or blighted structures; historic preservation; provision for first time homebuyers	\$75,000
I					Energy efficiency; transit oriented design; complementary homeownership training	

Priority (Tier)	Goal	Geography	Project Type	Income Levels	Bonus Score for:	Max per unit subsidy
I				80% to 120% of AMI	Rehabilitation of vacant and/or blighted structures; historic preservation; provision for first time homebuyers	\$50,000
I					Energy efficiency; transit oriented design; complementary homeownership training	
I			Mixed Use	Up to 120% of AMI on residential	Location in neighborhood commercial corridor or downtown; creation of permanent CT jobs; creation of community facilities	\$50,000
I	Preserve affordable housing	Statewide	Rental, Homeownership	30% of median or less	Linkage to human services; proximity to transportation; long term affordability	\$75,000
I					Energy efficiency, transit-oriented design, open space/farmland preservation; cluster housing	
I		Priority on communities where affordable housing supply is less than 10%		80% of median or less	Linkage to human services; proximity to transportation; long term affordability	\$50,000
I					Energy efficiency, transit-oriented design, open space/farmland preservation; cluster housing	
I	Create and finance housing that aids in the retention and recruitment of a quality workforce	Statewide, Priority on high cost areas	Rental	60% of median and below	Linkage to human services; proximity to transportation and jobs; long term affordability	\$75,000
I				Up to 120% of AMI	Employer assisted/sponsored housing; housing as part of a comprehensive economic and community development assistance package	
I					Location in neighborhood commercial corridor or downtown; creation of permanent CT jobs; creation of community facilities; transit-oriented design; preservation of farmland or open space; energy efficiency	

Priority (Tier)	Goal	Geography	Project Type	Income Levels	Bonus Score for:	Max per unit subsidy
I			Affordable homeownership	Up to 120% of AMI	Priority for 1 <sup>st</sup> time buyers; complementary homeownership training; long-term affordability	\$50,000
I					Location in neighborhood commercial corridor or downtown; creation of permanent CT jobs; creation of community facilities; transit oriented design; preservation of farmland or open space; energy efficiency	
I					Energy efficiency, transit-oriented design, open/space farmland preservation; cluster housing	
I			Mixed Income	Up to 120% of AMI; (May include non-restricted, non-subsidized homes within the overall project)	Provision for residents at 30% of median income or below; long-term affordability	\$50,000
I					Rehabilitation of vacant and/or blighted structures; historic preservation; Energy efficiency; transit oriented design	
I			Mixed Use	Up to 120% of AMI on residential	Location in neighborhood commercial corridor or downtown; creation of permanent CT jobs; creation of community facilities	\$50,000
I					Energy efficiency, transit-oriented design, open/space farmland preservation; cluster housing	

Priority (Tier)	Goal	Geography	Project Type	Income Levels	Bonus Score for:	Max per unit subsidy
II	Create and finance affordable housing to serve low and moderate income residents	Geographic areas not served in Tier I	Rental	80% of median or less	Provision for residents at 30% of median income or below, long-term affordability	\$50,000
II					Energy efficiency, transit-oriented design, open/space farmland preservation; cluster housing	
II		Urban centers; low and moderate income rural town centers	Rental	Up to 120% of median	Priority for development that have major positive impact on neighborhood revitalization efforts	\$50,000
II					Historic preservation; energy efficiency; revitalization of blighted properties; transit oriented design	
II	Create and finance housing that serves the housing and service needs of low and moderate income elderly	Low and moderate income communities	Rental, assisted living	60% of median or less	Location close to transportation and services	\$50,000
II					Energy efficiency, provision for residents at 30% of median income or below, long-term affordability	
II	Create and finance permanent housing as an alternative to homelessness	Statewide, Priority on high cost areas	Rental	30% of median or less	Linkage to human services; proximity transportation; long term affordability	\$75,000
II					Energy efficiency, transit-oriented design, open/space farmland preservation; cluster housing	

### Maximum Award Amount

Many worthwhile affordable housing projects have significant funding gaps. Because of the limitation on funds available to the HTF and a desire to fund as many projects throughout the state as possible, a limit of the lesser of \$2,000,000 per project or \$50,000

per assisted unit has been established for allocation of HTF\*. The maximum award to a CDFI shall not exceed \$3,000,000.

\*Important notes: In addition to the noted instances in section VII. of the Proposed Housing Trust Fund Priorities for Funding, the Department of Economic and Community Development has the authority to exceed the maximum per unit subsidy amount if the applicant makes the case that extraordinary benefits will accrue to the community.

Bonus points will be awarded to the applicant that uses less than the maximum per unit subsidy.

10 points if HTF \$'s are less than 20% of the subsidy limit
8 points if HTF \$'s are 20% to 39% of the subsidy limit
6 points if HTF \$'s are 40% to 59% of the subsidy limit
4 points if HTF \$'s are 60% to 79% of the subsidy limit
2 points if HTF \$'s are 80% to 99% of the subsidy limit
0 points if HTF \$'s are 100% of the subsidy limit

A total amount of ten (10) Bonus Points will be awarded to the program administrators who do not request Housing Trust Fund Administrative fees.

### **VIII. Review Criteria**

The proposed development must be ready to proceed as documented by:

- A. Eligibility Requirements
- B. Eligible Uses
- C. Affordability Guidelines
- D. Available Financing
- E. Underwriting Guidelines
- F. Application Requirements
- G. Closing Requirements
- H. Loan Conditions
- I. Evidence of Affirmative Fair Housing Marketing Plan, Fair Housing Policy, Grievance Procedure and Tenant/Resident Selection Methodology approved by the Department of Economic and Community Development
- J. Copy of the applicant's Affirmative Action Policy Statement

### **IX. Rating Criteria**

When reviewing applications the DECD shall use the following criteria for evaluating an application:

- (1) Applicant Capacity – maximum of 80 points, 25% weight
  - a. How well the applicant demonstrates housing development or management experience
  - b. Number of projects completed within 5 years.
  - c. Number of projects already underway – capacity for additional projects
  - d. Key project personnel

- e. Applicant experience with Fair Housing
- f. Litigation issues outstanding or unresolved
- g. Compliance – prior monitoring findings, prior project performance
- h. Financial Stability
- i. Overall applicant capacity

(2) Project Need and Marketability – maximum of 50 points, 15% weight

- a. Documentation of need for project
- b. Documentation of market for proposed housing
- c. Quality of sources submitted as documentation
- d. Overall degree to which project need and marketability are demonstrated

(3) Project and Financial Feasibility – H/O projects maximum 280 points, Rental projects maximum 270 points, 25% weight

- a. Leveraging – percentage of state funds to total development cost
- b. Number and level of commitments from other sources of financing
- c. Construction reasonableness
- d. Project reasonableness, based on industry history and custom
- e. Overall reasonableness
- f. Rental projects – Rental Operating Pro-forma within standards or documented
  - 1. Debt coverage ratio: minimum 1.15 to 1.25
  - 2. Vacancy rate – 5% unless documented otherwise
  - 3. Income trends – 2% unless documented otherwise
  - 4. Expense trends – 3% unless documented otherwise
  - 5. Operating Reserve Requirements – cannot use state bond funds or DECD HOME funds
  - 6. R M & R – \$90 pum elderly, \$55 pum family, subject to major funders requirements.
  - 7. Return on Equity – average 10%, with additional 2% for regional centers per State Plan of C & D
- g. Subsidy commitments – status of commitments
- h. Social service providers – special needs housing; if the services add value to the project and the status of commitments for those services
- i. Homeownership projects – the extent to which pre-and post-purchase counseling is provided
- j. Affordability – how affordable the units are to the proposed income group(s)
- k. Overall project/ financial feasibility
- l. Environmental/site feasibility

(4) **Community Impact** – maximum of 90 points, 15% weight

Analysis of the level to which the project will impact the community, the degree to which the project will increase economic diversity and opportunities.

- a. Relocation/displacement and/or reduction of affordable units – the degree to which relocation or reduction of units will impact the community or improve the quality of life

- b. Community Stability – if the project is part of an integrated community stabilization plan approved by a unit of local or state government, if the project increases the level of homeownership in a neighborhood, or increases the mix of income groups; the impact of the project on the community's appearance or infrastructure patterns, diversity levels resulting from the project, linkages with other economic, housing or community development activities. Major attention to projects that minimize displacement. Is the project in a targeted investment area (NRZ, Empowerment Zone, Enterprise Zone)
  - c. Long Term Affordability – the length of affordability in relation to major funders' requirements
  - d. How well Extremely Low and Very Low-income populations are served
  - e. Resident Participation and Empowerment strategies
  - f. Community Support
  - g. Overall degree to which Community Impact is demonstrated
- (5) **Fair Housing and Equal Opportunity** – maximum of 60 points, 20% weight
- a. If the project provides a type of tenure that is under-represented in the community
  - b. If the project will reduce economic segregation or promote economic integration
  - c. Special features of the marketing plan to promote diversity and/or economic integration
  - d. Level to which the project will reduce racial segregation or promote racial integration
  - e. If the project promotes educational or employment opportunities

To be considered for HTF funding, an application must receive at least 70 points. Those applications not funded in any round or for which total points were less than 70, may resubmit and modify their applications for the next round of funding.

#### **X. Compliance Monitoring Plan**

Under the HTF, DECD administers and provides general oversight of the HTF Program, monitors progress, develops policies and guidelines dealing with its operation and coordinates the involvement of the Advisory Committee.

At the sole discretion of the Commissioner of DECD, eligible applicant(s) may act as third party administrator(s) and may carry out program(s) and some of DECD's duties upon entering into contract(s) with DECD. In such case(s), eligible applicant(s) will be selected through a competitive process. If selected, third party administrator(s) will provide a detailed Program Plan, which shall include a Compliance Monitoring Plan. At a minimum, the Compliance Monitoring Plan shall include:

The third party program administrator shall monitor to determine if a project is in compliance with the requirements of the HTF Program and contract for financial assistance. Once a project is completed (placed-in-service), it is the third party program administrator's responsibility to perform periodic desk and/or file reviews and on-site



visits as needed to ensure that the Owner and/or property management firm are operating the project in compliance with the contract for financial assistance.

DECD's compliance monitoring requirements apply to all HTF projects, however, additional compliance requirements may be applicable from DECD or other funding sources in addition to those required under the HTF program. A third party program administrator may propose to utilize a compliance monitoring plan of another governmental lender provided DECD has access to working papers and reports from the governmental agency; and the monitoring plan is more comprehensive than required under the HTF Program. If a third party program administrator or owner fails to comply with these requirements, DECD will notify the Executive and Legislative branches as part of its annual report.

## **XI. Record Keeping And Retention**

### **A. Record Keeping:**

The third party program administrator and the recipient of financial assistance under the HTF Program must keep records for each HTF unit in the project for each year of the compliance period.

### **B. Record Retention:**

The third party program administrator and the recipient of financial assistance shall retain the records required in subparagraph A of this section for at least five (5) years after the contract is completed and the Department has issued a Certificate of Approved Program Costs.

## **XII. Certification And Review**

### **A. Certification:**

At least annually, for the entire compliance period and the extended use period, the recipient of financial assistance of a HTF housing project shall certify under penalty of perjury that, for the preceding twelve (12) month period, the project met the HTF program statutory and contractual requirements.

## **XIII. Liability & Delegation**

A. Compliance with the requirements of HTF Program is sole responsibility of the owner of the building for which the HTF funds were allocated. The third party program administrator's obligation to monitor for compliance with the requirements of HTF Program does not make it liable for an owner's noncompliance.

B. With the prior approval of the DECD, The third party program administrator may choose to delegate all or a portion of its compliance monitoring responsibilities to an agent or other private contractor.

# APPENDICES

## **Appendix A**

### **Directions to General Information Session 9:30 a.m. Date Wednesday, March 15, 2006**

#### **Directions to DECD**

**505 Hudson Street, Hartford, CT is located at the intersection of Hudson and Park Street, with the main entrance to both the building and parking lot on Hudson Street.**



#### **Directions from:**

##### **84 East**

- Take the Capitol Avenue exit (Exit 48B).
- Turn left at the end of the exit ramp onto Capitol Avenue.
- Take a right at second traffic light onto Hudson Street. (Do not count the pedestrian light immediately after left)
- The building is two blocks down on the right, just after the intersection of Hudson and Park Streets.

##### **84 West**

- Take the Asylum Street exit (Exit 48).
- Turn left at end of exit ramp onto Asylum Street.
- Soon after passing under train tracks, road bears right then left.
- Follow this road until you reach a rotary (Pulaski Circle).
- Bushnell Park should be on your right at all times.
- Take the second right off of the rotary onto Hudson Street.
- The building is three blocks down on the right, just after the intersection with Park Street.

##### **91 North**

- Take the Capitol Area exit (Exit 29A).
- Continue straight off exit, under building, and onto rotary.
- Take right off the rotary onto Hudson Street.
- The building is three blocks down on the right, just after the intersection with Park Street.

##### **91 South**

- Take the Capitol Area exit (Exit 29A).
- Continue straight off exit, under building, and onto rotary.
- Take right off the rotary onto Hudson Street.

The building is three blocks down on the right, just after the intersection with Park Street.

## Appendix B

### RFP SUBMISSION CHECKLIST

**Six (6) copies of the application and the following are required for each RFP submission.**

#### I. Checklist of supporting documents to Application

Check Box	Exhibit Number	Application Exhibits	
N/A	1.3	Rental Project Calculation Worksheet	
N/A	1.4	Homeownership Project Calculation Sheet	
	2.1.a	Project Narrative ( <i>Applicant to Provide</i> )	
	2.1.b	Waiting List Information or Market Analysis or Market Study Project Need/Market Conditions ( <i>Applicant to Provide</i> ) ( <i>if applicable</i> )	
	3.1	Documentation of Organizational Status (if 501 ( c) (3) submit letter from Internal Revenue Service)	
	3.2	Applicant's Record	
	3.3.a	Key Project Personnel	
	3.3.b	Narrative – Selection Method for Consultants ( <i>if applicable</i> )	
	3.3.c	Insurance Certificate(s) documenting all DECD required insurances	
	3.4.a	Fair Housing Action Plan	
	3.4.b	Fair Housing Activity	
	3.4.c	Affirmative Action Policy Statement	
	3.4.d	ADA Notice	
	3.5.a	Litigation Information (Required only if Applicant or Co-sponsor is a defendant in any litigation.)	
	3.5.b	Compliance Information (Required only if Applicant or Co-sponsor are not in compliance with existing Assistance Agreements for other DECD or CHFA projects)	
	3.6	Financial Stability	
	4.1	Narrative - Description of Proposed Activity	
N/A	4.2.a	Site and Building Report	
	4.2.b	Environmental Compliance: CEPA	
N/A	4.2.c	Phase I Environmental Site Assessment or other Site Hazardous Materials Environmental Review	
N/A	4.2.d	Narrative - Notification, Evaluation and Reduction of Lead-Based Paint Hazards in Federally Owned Residential Property and Housing Receiving Federal Assistance	
	4.3.a	Sources of Funds - Construction	
	4.3.b	Sources of Funds - Permanent	
	4.3.c	Housing Development Budget and Financing Plan	

## Appendix B

### RFP SUBMISSION CHECKLIST

N/A	4.4.a	Operating Funds. Also provide contracts with Service Providers and Rental Subsidies	
	4.4.b	Project Rent Schedule	
	4.4.c	Operating Proforma for Rental	
N/A	4.4.d	Proposed Lease	
N/A	4.5.a	Single Family Profit and Loss Statement	
N/A	4.5.b	Homeownership Project Unit Description	
	4.5.c	Homeownership - Developer/Homebuyer Subsidy Determination Worksheet	
N/A	4.5.d	Development Cash Flow Analysis for Single Family Housing	
	4.5.e	Homebuyer Training Plan	
	4.5.f	Long term oversight of project written agreement	
	4.5.g	Plain Language Explanation of Resale and Recapture Provision	
N/A	4.5.h	Proposed Closing Documents (Samples of Sales Contract, Deed, Resale/Recapture Restrictions, Proprietary Lease - for co-ops or Land Trust projects, Declaration - for condominium projects)	
N/A	4.6.a	Evidence of Site Control	
N/A	4.6.b	Disclosures to Seller	
N/A	4.6.c	Appraisals/ Appraisal Engagement Letter ( <i>Applicant to Provide - if applicable</i> )	
N/A	4.6.d	Owner's Affidavit	
N/A	4.6.e	Legal Description	
N/A	4.7.a	Coordination/ Approvals	
N/A	4.7.b	Narrative/Selection Method for General Contractor	
N/A	4.8	Provide Development Schedule	
	5.1.a	Displacement/Relocation Narrative and Plan	
N/A	5.1.b	General Information Notices (GIN)	
N/A	5.1.c	Reduction of Affordable Units - Section 104 (Barney Frank Amendment)	
	5.1.d	Sworn Certificate of Non-Displacement - No Loss of Units	
	5.2.a	Written description of Community Stability	
	5.2.b	Community Impact	
	5.3.b	Sample of Method of Affordability	
	5.4	Targeting Commitments or Requirements	
	5.5	Units Targeted to Extremely Low and Very Low Households ( <i>Applicant Provides Narrative</i> )	
	5.6	Resident Participation	

## Appendix B

### RFP SUBMISSION CHECKLIST

N/A	5.7	Community Support - Attach letters of support	
N/A	7.1	A-2 Survey	
N/A	7.2	Agriculture Review Approval Land Use Letter	
N/A	7.3	SHPO Historic Designation Letter	
N/A	7.4	Life Cycle Cost Analysis	
N/A	7.5	Cost Estimate for Development	
N/A	7.6	Bid/Construction Documents	
N/A	7.7	Labor Standards/Prevailing Wages	
N/A	7.8	Notification to Bidders	
N/A	7.9	Architect's Design Certification	
N/A	7.10	Project Sign Specifications	
N/A	7.11	Storm Water Certification Letter	
		Underwriting standards if different from DECD's	
		Certificate of Corporate Resolution	
		If consortium copy of MOU or agreement	
		Certification of Applicant	
<b>* Form provided</b>			
<b>For Reference Only</b>		HOME Program Final Rule/FLEX Statute	N/A
		HOME Income Limits/ FLEX Income Limits	N/A
		PMSA/MSA Metropolitan Areas	N/A
		HOME Rents	N/A
		Utility Allowance Schedule	N/A
		Maximum Per-Unit Subsidy Amounts	N/A
		Maximum Mortgage Limits	N/A
		DECD HOME Policies	N/A
		Development Team Matrix	N/A
		DECD Insurance Requirements	
		Fair Housing Action Plan Implementation Guidelines	
		Section 3 Guidance	N/A
		Procurement Standards (general guide to)	
		Design and Construction Standards and Requirements	N/A
		Labor Standards/Prevailing Wages	N/A
		Sample Timeline for Major Development Project	N/A
		Relocation Information/GIN Sample Notices <i>(Provided in Pre-App)</i>	N/A
		Quarterly Development Compliance Report: Submitted quarterly after contract approval	
		DECD Accounting Manual	
		HOME Compliance Manual	

## Appendix C

APPLICATION AND SUPPORTING DOCUMENTS MAY BE OBTAINED BY CONTACTING:

Debbie Russo, Senior Development Manager  
Department of Economic and Community Development  
Office of Housing Finance  
505 Hudson Street  
Hartford, CT 06106  
Tel: (860) 270-8223  
Fax: (860) 270-8032  
[deborah.russo@po.state.ct.us](mailto:deborah.russo@po.state.ct.us)

## Appendix D

### CERTIFICATION OF APPLICANT

(State of Connecticut) ss. \_\_\_\_\_, Connecticut

County of \_\_\_\_\_ (Date) \_\_\_\_\_

The undersigned hereby certifies and/or acknowledges the following:

1. The information in this application, including the exhibits and attached documents, are true, correct and complete to the best of the undersigned's knowledge and beliefs;
2. The undersigned will comply with relevant program laws, regulations, policies and procedures;
3. The undersigned and its principals are not suspended or debarred as defined in 24 CFR Part 5 Subpart A of the Code of Federal Regulations or any program of the State of Connecticut.
4. The undersigned understands the meaning of Governmental Assistance which is defined as follows: Governmental Assistance includes any loan, grant (including Community Development Block Grant), guarantee, payment, rebate, subsidy, credit tax benefit, or any other form of direct or indirect assistance from the Federal, State or local government for use in, or in connection with, a specific housing project. The undersigned certifies that the amount and types of governmental assistance have been fully disclosed in the document entitled Sources and Uses of Funds and, should other governmental funds be sought in connection with this project, DECD shall be notified promptly.
5. The DECD may substitute its own figures, after consultation with the undersigned, which it deems reasonable for any and all figures provided herein;
6. It is understood that DECD may determine, based on documents and/or information submitted, additional information is required from the undersigned to further evaluate the application;
7. If the Commissioner determines, based on documents and/or information submitted or obtained subsequently, that the application has substantially changed, the Commissioner may discontinue processing of the application;
8. The undersigned will at all times indemnify and hold harmless the DECD and its assigns against all losses, costs, damages, the DECD's expenses, and liabilities of any



nature directly or indirectly resulting from, arising out of or relating to the DECD's acceptance, consideration, approval, or disapproval of the application;

9. The undersigned understands that the DECD will rely on the information in this application and that, if the application is approved, any deliberate omissions, misrepresentation and/or incorrect statements in this application may result in withdrawal of the application from the review process, at the DECD's sole discretion;
10. The undersigned understand that if the project fails to adhere to the approved time line the project may at the sole discretion of the Commissioner be canceled.
11. The undersigned is not in default with any branch of the state or federal government (if a default exists, please add an attachment identifying the entity with whom the default exists and an explanation of the default).
12. The undersigned agrees that banks, credit agencies, the Connecticut Department of Labor, the Connecticut Department of Revenue Services, the Connecticut Department of Environmental Protection, and other references are hereby authorized now, or any time in the future, to give the Department of Economic and Community Development any and all information in connection with matters referred to in this application.
13. The undersigned understands that he/she may be prosecuted for false statement under the laws of the State of Connecticut under Section 53a-157 of the General Statutes, as amended from time to time, for any false statement made herein; and
14. The undersigned has been duly authorized to submit the attached in its name.

\_\_\_\_\_  
Legal Name of Applicant

\_\_\_\_\_  
Signature of Applicant or Authorized Representative (Date)

Subscribed and sworn to before me this \_\_\_\_\_ day of, \_\_\_\_\_ 20 \_\_\_\_\_.  
(Month)

\_\_\_\_\_  
Commissioner of the Superior Court  
Notary Public

## Appendix E

### CERTIFICATION BY RESPONDENT

**Important Note:** Each submission under this RFP must include a signed and dated *"Certification By Respondent"*.

It is hereby represented by the undersigned as an inducement to the State of Connecticut to consider the RFP requested herein, that to the best of my knowledge and belief no information or data contained in the RFP or in the attachments are in any way false or incorrect and that no material information has been omitted, including the financial statements.

The undersigned agrees that banks, credit agencies, the requisite State agencies, including but not limited to the Department of Labor agencies, Revenue Services agencies, the Environmental Protection agencies, and other references are hereby authorized now, or anytime in the future, to give the State of Connecticut any and all information in connection with matters referred in this RFP process, including information concerning the payment of taxes by the applicant.

**Signature:** \_\_\_\_\_

**Title:** \_\_\_\_\_

**Date:** \_\_\_\_\_

## Appendix F

### Bid/Proposal Affidavit

**Gift/Campaign Contribution Affidavit to Accompany Bid or Proposal for Large State Contracts, Pursuant to Sections 2, 3 and 4 of Public Act 04-245 and Governor M. Jodi Rell's Executive Order No. 1, paragraph 8.**

I, \_\_\_\_\_ (*Type/Print Name, Title and Name of Firm or Corporation*), hereby swear that during the two-year period preceding the submission of this bid or proposal that neither myself nor any principals or key personnel of the submitting firm or corporation who participated directly, extensively and substantially in the preparation of this bid or proposal nor any agent of the above gave a gift, as defined in Conn. Gen. Stat. §1-79(e), including a life event gift as defined in Conn. Gen. Stat. §1-79(e)(12), to (1) any public official or state employee of the state agency or quasi-public agency soliciting the bids or proposals who participated directly, extensively, and substantially in the preparation of the bid solicitation or preparation of request for proposal or (2) to any public official or state employee who has supervisory or appointing authority over the state agency or quasi-public agency soliciting the bid or proposal, except the gifts listed below:

<u>Name of Benefactor</u>	<u>Name of recipient</u>	<u>Gift Description</u>	<u>Value</u>	<u>Date of Gift</u>
---------------------------	--------------------------	-------------------------	--------------	---------------------

Further, neither any principals nor I or key personnel of the submitting firm or corporation who participated directly, extensively and substantially in the preparation of this bid or proposal know of any action to circumvent this gift/campaign contribution affidavit.

Further, during the two-year period preceding the submission of this bid or proposal, neither I nor any principals or key personnel of the submitting firm or corporation who participated directly, extensively and substantially in the preparation of this bid or proposal nor any agent of the above gave a contribution to a candidate for statewide public office or the General Assembly, as defined in Conn. Gen. Stat. §9-333b, except as listed below:

<u>Contributor</u>	<u>Recipient</u>	<u>Amount/Value</u>	<u>Date of Contribution</u>	<u>Contribution Description</u>
--------------------	------------------	---------------------	-----------------------------	---------------------------------

Sworn as true to the best of my knowledge and belief, subject to the penalties of false statement.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

Sworn and subscribed to before me on this \_\_\_\_\_ day of \_\_\_\_\_, 200\_\_

\_\_\_\_\_  
Commissioner of the Superior Court  
Notary Public

## **Appendix G**

# **The Housing Trust Fund Procedures & Guidelines**

The **Housing Trust Fund or "HTF"** was created to: (1) Encourage the creation of housing for homeownership at a cost that will enable low and moderate income families to afford quality housing while paying no more than thirty per cent of gross household income on housing, (2) promote the rehabilitation, preservation and production of quality, well-designed rental and homeownership housing affordable to low and moderate income families or persons, (3) maximize the leveraging of state and federal funds by encouraging private sector investment in housing developments receiving assistance, (4) encourage housing that maximizes housing choices of residents, (5) enhance economic opportunity for low and moderate income individuals and their families, (6) promote the application of efficient land use that utilizes existing infrastructure and the conservation of open spaces, and (7) encourage the development of housing which aids the revitalization of communities.

The HTF Procedures & Guidelines ("the HTF Guidelines") sets forth selection criteria to be used to determine housing priorities under the HTF program.

### **I. Administrative Structure**

Under the HTF, DECD shall administer and provide general oversight of the HTF Program, monitor progress, develop policies and guidelines dealing with its operation and coordinate the involvement of the Advisory Committee.

#### Treasurer

The Treasurer's role in relation to the HTF is to invest non-lapsing funds held by the Treasurer separate and apart from all other moneys, funds and accounts. The following funds shall be deposited in the fund: (1) proceeds of bonds authorized; (2) all moneys received in return for financial assistance awarded from the HTF pursuant to the HTF Program; and (3) all private contributions received pursuant to section 21 of P.A. 05-5 of the June Special Session. Investment earnings credited to the assets of the HTF shall become part of the assets of said fund. The Treasurer shall invest the moneys held by the HTF subject to use for financial assistance under the HTF Program.

#### DECD

DECD is the State's lead housing agency and primary policy maker for affordable housing strategies. The HTF Program is managed within the state's Department of Economic and Community Development (DECD) with guidance and assistance from an Advisory Committee comprised of local officials, housing advocates, lenders and developers.

DECD's role with the HTF is to provide day-to-day management and administer program funds, underwrite applications for financing in accordance with the HTF Guidelines, oversee the distribution and expenditure of funds for approved projects; and provide annual reports to the Governor and the General Assembly on the utilization of funds and the projects funded.

### Third Party Administrators

At the sole discretion of the Commissioner of DECD, Eligible Applicant(s) may act as third party administrators and may carry out some of DECD's duties upon entering into contract(s) with DECD. In such case(s), Applicant(s) will be selected through a competitive process.

### Advisory Committee

The Advisory Committee ("the committee") shall meet at least semiannually and shall advise the commissioner on (1) the administration, management and objectives of the HTF Program; and (2) the development of regulations, procedures and rating criteria for the Program.

## **II. State Housing Needs**

The Guidelines for allocating HTF dollars must be relevant to State housing needs and consistent with state housing priorities, as established in *The State of Connecticut Long Range State Housing Plan and the Conservation and Development* and Policies of the State of Connecticut.

These Guidelines will not undertake a separate needs assessment or establishment of priorities but incorporate by reference the needs assessment of *The State of Connecticut Long Range State Housing Plan* and adopt its specific priorities for rental housing for use in this Program.

## **III. Eligible Applicants**

The HTF has been structured to ensure that many different types of organizations are eligible to receive financing. Eligible applicants in good standing include: nonprofit entities; municipalities; housing authorities; business corporations incorporated pursuant to chapter 601 having as one of its purposes the construction, financing, acquisition, rehabilitation or operation of affordable housing, and having a certificate or articles of incorporation approved by the commissioner; any partnership, limited partnership, limited liability company, joint venture, sole proprietorship, trust or association having as one of its purposes the construction, financing, acquisition, rehabilitation or operation of affordable housing; and the Connecticut Housing Finance Authority (CHFA); or any combination thereof.

## **IV. Eligible Activities**

The purpose of the HTF is to support the creation or preservation of housing that is affordable to people with incomes that do not exceed 120% of median income, as defined by HUD and amended from time to time. HTF funds will be focused on those activities that create, preserve or acquire housing throughout the State for the benefit of those households. HTF funds may also be used for the modernization, rehabilitation and repair of state-assisted housing.

A housing development to be financed by the HTF that receives subsidy, financing, tax credits or other assistance under a state or federal housing program, may contain market

rate units, insofar as permissible under those programs and/or to the extent that they are necessary to support the creation of and/or on-going sustainability for the affordable housing units in the development. However, HTF funds may not be used to support market rate units.

“Appraisal Gap Financing” means the difference between the appraised value of an owner-occupied single-family dwelling, not to exceed four (4) units in a single building after construction and/or renovations have been completed and the total development cost. Financial assistance to close all of or a portion of the appraisal gap may be in the form of a developer’s subsidy.

## **V. Types of Assistance**

Funds from the HTF may be used to support the acquisition, development or preservation of affordable housing units. These funds may be used flexibly to ensure the financial feasibility of the projects. A wide range of financial assistance is available from the HTF, including but not limited to:

- Predevelopment loans
- Appraisal gap financing – owner-occupied single-family (1-4 units)
- Deferred payment loans
- Low or no interest amortizing loans
- Down payment and closing-cost assistance for first-time homebuyers
- Credit enhancements and mortgage insurance guarantees
- Grants when projects can not support deferred payment loans

This list is meant to be illustrative, but not exhaustive, of possible types of assistance provided through the HTF. The level and type of assistance provided by the HTF to a specific project must be the minimum amount necessary to achieve the desired degree of affordability.

Applications or Proposals will be underwritten and the award of HTF funds will be structured to ensure that these funds will be repaid to the HTF where feasible. Therefore, principles of sound underwriting and risk management will be applied when reviewing all proposals.

## **VI. Allocation Process and Criteria**

The HTF is an essential resource for addressing the need for affordable housing. In selecting projects for funding, preference will be given to those projects that will create new housing units and projects that preserve housing for very low and low-income families. In order to ensure that these limited resources are utilized in the most effective manner possible, funding preferences and thresholds have been established to guide the decision-making process.



## Allocation Process And Criteria

### 2. Set-Aside Allocations

DECD will allocate HTF funds to:

- Department of Labor a sum of three hundred thousand (\$300,000) dollars for funding matching grants to be dedicated to funding purchases of primary residences pursuant to the provisions of Sections 31-51ww to 31-51eee, inclusive, of the Connecticut General Statutes; and
- 10% of the funds would be reserved for the Commissioner to award to applications at his discretion that met one of the following three criteria: 1) applicants that had applied to DECD and/or CHFA with projects that were deeply targeting low income families, 2) applicants with projects that were at risk of losing funding if they did not receive an allocation from the Trust Fund, or 3) projects that could begin construction sooner if they received funding.

### 2. Competitive Process

DECD will allocate financial assistance at least semi-annually on a competitive basis based upon the selection criteria and application ranking procedures set forth below. All applications will be reviewed and rated against selection criteria and must receive a minimum score of 70. Applicants who do not receive a minimum score of 70 will receive a letter of rejection and may re-submit during subsequent competitive processes.

## **VII. Review Criteria**

### For Programs:

The proposed development must be ready to proceed as documented by:

- A. Eligibility Requirements
- B. Eligible Uses
- C. Affordability Guidelines
- D. Available Financing
- E. Underwriting Guidelines
- F. Application Requirements
- G. Closing Requirements
- H. Loan Conditions
- I. Evidence of Affirmative Fair Housing Marketing Plan, Fair Housing Policy, Grievance Procedure and Tenant/Resident Selection Methodology approved by the Department of Economic and Community Development
- J. Copy of the applicant's Affirmative Action Policy Statement

### For Projects

The proposed development must be ready to proceed as documented by:

- (1) A complete DECD application or a completed application from another state-wide or national governmental entity such as HUD, USDA, Federal Home Loan Bank

and a CDFI , including a credible financing plan as evidenced by letter(s) of commitment or application to CHFA for Federal Low-Income Housing Tax Credits or other proof of serious intent on behalf of other sources of funds essential to the viability of the proposed development;

- (2) Evidence of site control of a site suitable for the intended purpose;
- (3) Evidence of necessary environmental clearances, if any;
- (4) Copy of a relocation plan, if necessary;
- (5) Evidence of Affirmative Fair Housing Marketing Plan, Fair Housing Policy, Grievance Procedure and Tenant Selection Methodology approved by the Department of Economic and Community Development;
- (6) Copy of the applicant's Affirmative Action Policy Statement;
- (7) Written evidence of zoning approval;
- (8) Development team in place, including architect, general contractor, relocation specialist, if applicable, and management agent;
- (9) Outline specifications, written description indicating the level of rehabilitation based on a capital needs analysis performed by a licensed architect or engineer, schematic drawings, 1/8" = 1' 0" minimum (floor plans and elevations) and site plan (1" = 20' - 0" minimum) drawn to scale;
- (10) Based on 9 above, a trade payment breakdown signed by the general contractor (Applicants with developments subject to bidding requirements must submit a letter from the agency describing the bid schedule and a copy of the agency's bid policy); and
- (11) Evidence of availability of utilities and access to the site.

In addition to the criteria above, alternate priority will be given to projects seeking financial assistance under the HTF Program which (1) are appropriate to local conditions; (2) give preference to projects which, (a) serve the lowest income residents/tenants, and (b) obligate to serve qualified residents/tenants for the longest period of time; (3) provide a procedure that the DECD (or its agent) will follow in monitoring for noncompliance; and (4) provide a procedure that the DECD (or its agent) will follow in reporting outcomes to the Executive and Legislative branches of State government.

### **VIII. Priority Locations and Terms Defined**

The *Conservation and Development Plan and Policies* (the "2004-2009 CCDPP") define the following State Action Strategy and Definitional Criteria for Development Priority. These definitions are hereby adopted for purposes of the HTF Procedures and this Plan. For purposes of the Plan, whether a project is located in a Development Priority Area will be solely determined by DECD. Development Priority Areas are: (In order of priority)

- (1) Regional Centers - Redevelop and revitalize the economic, social, and physical environment of the state's traditional centers of industry and commerce.
- (2) Neighborhood Conservations Areas - Promote infill development and redevelopment in areas that are at least 80% built up and have existing water, sewer, and transportation infrastructure to support such development.

- (3) Growth Areas - Support staged urban-scale expansion in areas suitable for long-term economic growth that are currently less than 80% built up, but have existing or planned infrastructure to support future growth in the region.
- (4) Rural Community Centers - Promote concentration of mixed-use development such as municipal facilities, employment, shopping, and residential uses within a village center setting.

#### **IX. Maximum Award Amount**

Many worthwhile affordable housing projects have significant funding gaps. Because of the limitation on funds available to the HTF and a desire to fund as many projects throughout the state as possible, a limit of the lesser of \$1,000,000 per project or \$50,000 per assisted unit has been established for allocation of HTF. The maximum award to a CDFI shall not exceed \$3,000,000. A limit of \$2,000,000 of HTF funding per project has been established for the Commissioner's discretionary allocation.

#### **X. Application Procedures**

Applicants seeking a combination of DECD HTF funding leveraged with other governmental agencies are required to submit copy(s) of applications submitted to each governmental agency. Each governmental agency shall certify to DECD that the application has been reviewed and satisfactorily meets that funder's underwriting standards. DECD will, to the extent practicable, underwrite the project, make a determination of whether the project is ready to proceed, confirm that the development has a financing gap that requires HFT funding.

A person or entity, or an affiliate of a person or entity that is not in good standing may not file applications. An applicant is not in good standing if it:

- (a) Has at any previous time been delinquent on any State obligations or obligations of the State's quasi-public agencies such as the Connecticut Housing Finance Authority, Connecticut Development Authority (CDA), Connecticut Innovations, or obligations of the U.S. Department of Housing and Urban Development (HUD), United State Department of Agriculture (USDA) etc. for twelve (12) or more consecutive months;
- (b) Has been in non-compliance for three (3) or more months within the most recent twelve-month period;
- (c) Has been in non-compliance during any month within the most recent six-month period;
  - a. Has been in noncompliance with CHFA's Federal Low-Income Housing Tax Credit Program Compliance Monitoring, where such noncompliance is significant and has remained uncorrected for a period exceeding six (6) months, or by persons or entities that have a history of repeated noncompliance, unless specifically approved by CHFA's Board of Directors; or
  - b. Has failed to comply with the terms of any extended low-income housing commitment for a development they previously sponsored or developed.

The general and limited partners for partnerships and for all applicants, the management agent proposed as a member of the development team must disclose on a form provided by DECD, any finding of a violation of any Federal or State laws or regulations pertaining to fair housing, housing accessibility, or non-discrimination in the areas of ownership and rental housing. Such finding shall be by a Federal or State court, or a Federal or State agency, having authority and jurisdiction to make such finding. This disclosure is to be provided under penalty of false statement. Applicants disclosing such findings of violations or convictions must obtain a waiver from the Commissioner or his designee in order to apply.

Finally, all applicants must sign the appropriate disclosure notice pursuant (Appendices F) to Executive Order #7B regarding any items of value provided to DECD employees for which full payment has not been made.

#### **XI. Proposed Housing Trust Fund Priorities for Funding – Attachment A**

#### **XII. Rating Criteria**

When reviewing applications the DECD shall use the following criteria for evaluating an application:

- (1) Applicant Capacity – maximum of 80 points, 25% weight
  - a. How well the applicant demonstrates housing development or management experience
  - b. Number of projects completed within 5 years?
  - c. Number of projects already underway – capacity for additional projects
  - d. Key project personnel
  - e. Applicant experience with Fair Housing
  - f. Litigation issues outstanding or unresolved
  - g. Compliance – prior monitoring findings, prior project performance
  - h. Financial Stability
  - i. Overall applicant capacity
- (2) Project Need and Marketability – maximum of 50 points, 15% weight
  - a. Documentation of need for project
  - b. Documentation of market for proposed housing
  - c. Quality of sources submitted as documentation
  - d. Overall degree to which project need and marketability are demonstrated
- (3) Project and Financial Feasibility – H/O projects maximum 280 points, Rental projects maximum 270 points, 25% weight
  - a. Leveraging – percentage of state funds to total development cost
  - b. Number and level of commitments for other sources of financing
  - c. Construction reasonableness
  - d. Project reasonableness, based on industry history and custom
  - e. Overall reasonableness

- f. Rental projects – Rental Operating Pro-forma within standards or documented
  - 1. Debt coverage ratio: minimum 1.15 to 1.25
  - 2. vacancy rate – 5% unless documented otherwise
  - 3. Income trends – 2% unless documented otherwise
  - 4. Expense trends – 3% unless documented otherwise
  - 5. Operating Reserve Requirements – cannot use state bond funds
  - 6. R M & R--\$90 pum elderly, \$55 pum family, subject to major funders.
  - 7. Return on Equity – average 10%, with additional 2% for urban centers per State Plan of C & D
- g. Subsidy commitments – status of commitments
- h. Social service providers – special needs housing; if the services add value to the project and the status of commitments for those services
- i. Homeownership projects – the extent to which pre-and post-purchase counseling is provided
- j. Affordability – how affordable the units are to the proposed income group(s)
- k. Overall project/ financial feasibility
- l. Environmental/ site feasibility

**(4) Community Impact** – maximum of 90 points, 15% weight

Analysis of the level to which the project will impact the community, the degree to which the project will increase economic diversity and opportunities.

- a. Relocation/ displacement and/or reduction of affordable units – the degree to which relocation or reduction of units will impact the community or improve the quality of life
- b. Community Stability – if the project is part of an integrated community stabilization plan approved by a unit of local or state government, if the project increases the level of homeownership in a neighborhood, or increases the mix of income groups; the impact of the project on the community's appearance or infrastructure patterns, diversity levels resulting from the project, linkages with other economic, housing or community development activities. Major attention to projects that minimize displacement. Is the project in a targeted investment area (NRZ, Empowerment Zone, Enterprise Zone)
- c. Long Term Affordability – the length of affordability in relation to major funders' requirements
- d. How well Extremely Low and Very Low-income populations are served
- e. Resident Participation and Empowerment strategies
- f. Community Support
- g. Overall degree to which Community Impact is demonstrated

**(5) Fair Housing and Equal Opportunity** – maximum of 60 points, 20% weight

- a. If the project provides a type of tenure that is under-represented in the community
- b. If the project will reduce economic segregation or promote economic integration

- c. Special features of the marketing plan to promote diversity and/or economic integration
- d. Level to which the project will reduce racial segregation or promote racial integration
- e. If the project promotes educational or employment opportunities

To be considered for HTF funding, an application must receive at least 70 points. Those applications not funded in any round or for which total points were less than 70, may resubmit and modify their applications for the next round of funding.

### **XIII. Underwriting Criteria**

Projects must also meet the underwriting criteria adopted from time to time by the DECD for housing financed with Bonds issued pursuant to the HTF or other DECD funded programs.

In instances where HTF funds are provided as "gap" funding for multi-family rental housing, the assistance provided will typically be in the form of a deferred payment loan. To be eligible for gap financing, the applicant must show that it has: maximized all available tax credits (based on eligible basis), and all available public and/or private financing. The gap should exist owing to the depth of income targeting or by other reasonable explanations that makes the project infeasible without an additional subsidy.

The following underwriting standards apply to DECD funded projects including homeownership projects. **When CHFA, HUD, the USDA, the FHLB, CDFI Alliance, Fannie Mae and any other entity whose underwriting standards have been approved by DECD and have a financial interest greater than DECD, then their underwriting standards may take precedence over DECD's.** However, this does not preclude DECD from performing a separate analysis for any activity. For all other projects where DECD has a financial interest, DECD's underwriting standards shall apply and they are as follows:

#### **Definitions**

1. **"Annual Debt Service"** means all payments of principal and interest, or other charges, or any combination thereof, on loans secured by the project for a twelve (12) month period.
2. **"Annual Loan Constant"** means yearly fixed value of principal and interest payments on a specific loan.
3. **"Applicable Federal Rate"** means a monthly interest rate statistic issued by the Treasury Department that is based on the prevailing interest rate on mid-term and long-term government securities.
4. **"Appraisal"** means a report that sets forth the process of estimation and conclusion of value.
5. **"Bridge Loan Financing"** means a short- term loan made in anticipation of intermediate-term or long-term financing.
6. **"CHFA"** means the Connecticut Housing Finance Authority.

7. "**Consumer Price Index**" means a statistical measure of the change in price levels of a predetermined mix of consumer goods and services.
8. "**Credit Enhancement**" means an asset pledged as security.
9. "**Cumulative Cash Return on Equity**" means a gain on the equity in a project at the time of financing which is a non-compounding sum of cash generated from ordinary cash revenues, less cash expenses.
10. "**Debt Service Coverage Ratio**" means a quotient that measures the number of times loan principal and interest are covered by net income. A higher ratio indicates a lower risk associated with a particular loan.
11. "**DECD Cost Guidelines**" means total development cost for a typical dwelling unit based on DECD minimum design standards for unit types, sizes, common areas, location and construction types.
12. "**Equity**" means the Owner's financial interest in real property above all claims and liens against it.
13. "**Grant**" means a contribution of funds that do not require repayment and are unsecured except to enforce compliance for use restrictions.
14. "**Junior Financing**" means an obligation that is subordinate in right or lien priority to an existing or proposed lien on the same property.
15. "**Life Cycle Cost Analysis**" means an evaluation of the capital and operational costs of a construction item or system during the estimated useful life of the project. (Housing Authorities only)
16. "**Loan**" means an interest free or interest-bearing obligation to repay principal.
17. "**Loan to Value Ratio**" means the ratio of the total amount of the secured loans to the appraised value of the property.
18. "**Market Analysis**" means a report that sets forth the process that analyzes the ability of a proposed use of an existing property to be absorbed, sold, or leased under current or anticipated market conditions.
19. "**Market Study**" means a report of a market analysis prepared by a third party.
20. "**Mortgage Insurance**" means a policy to cover the lender in case of default.
21. "**Net Operating Income**" means earnings after deducting normal operating expenses, including reserves for replacement, but before deducting depreciation, federal taxes and extraordinary gains, losses and charge-offs.
22. "**Nonprofit**" means a housing authority; a nonprofit corporation incorporated or authorized to do business pursuant to Chapter 600 of the Connecticut General Statutes, having as one of its purposes the construction, acquisition or related rehabilitation of affordable or assisted housing and having a certificate or articles of incorporation approved by the Commissioner; a quasi-public agency, as defined in Section 1-120 of the Connecticut General Statutes; a municipal developer; or a municipality or agency of a municipality; or a joint partnership where the nonprofit partner: (a) is materially participating in the development and operation of the development throughout the compliance period; (b) owns at least 51% of all general partnership interest in the development; (c) is not affiliated with or controlled by the for-profit organization; and (d) was not formed for the principal purpose of qualifying as a nonprofit organization to gain some advantage eligible to only nonprofit developers.

23. **"Operating Deficit Letter of Credit"** means a written document issued by a financial institution guaranteeing the payment of drafts up to a stated amount to cover operating losses.
24. **"Rent"** means charges, excluding security deposits, down payments and membership fees, paid for occupancy of rental units or LEC/mutual housing units in housing developments that receive financial assistance from DECD.
25. **"Reserve for Replacement,"** means a regulatory or contractual requirement to set aside cash for the replacement of capital items; funding for major repairs; additions that improve the property; or betterments that replace existing assets with more modern or efficient versions.
26. **"Return on Equity"** means net income divided by total equity that represents a profit provided to the developer based on the amount contributed to the project.
27. **"Stabilized Year"** means the first 12 months after 100% occupancy, less vacancy allowance.
28. **"State Plan of Conservation and Development"** means the five-year plan prepared by the Office of Policy and Management in accordance with Sections 16a-24 through 16a-33 of the Connecticut General Statutes, which provides the growth, resource management and public investment policies for the state.
29. **"Syndication"** means the process of structuring financial arrangements, legal documents, and investors to take advantage of any or all-available tax benefits.
30. **"Total Development Cost" (TDC)** means all expenses incident to the creation of a project, including developer's fees.

### **Underwriting Standards - Rental or Quasi-Ownership Properties**

The following underwriting standards indicate the degree of risk associated with providing permanent financing. These standards may be revised as market and economic conditions dictate.

1. Maximum Loan Amount - The maximum permissible loan for all projects shall be equal to the lower of the following based on market, location, and other conditions:
  - An amount based on applicable statutory limits;
  - An amount based on the loan to value ratio;
  - An amount based on the debt service coverage ratio; or
  - The annual debt service divided by the applicable annual loan constant.
2. Debt Service Coverage Ratio-
  - The minimum coverage for all uninsured projects is 1.15. FHA-insured loan - 1.10 or FHA standard, whichever is higher; non-residential space - 1.20 relative to the net income;
  - DECD may require a separate Operating Deficit Letter of Credit when a developer does not meet the debt service coverage ratio.
3. Determination of Value-



- The market value established in the “as-is” appraisal shall be one consideration of facts and circumstances used to determine the value to be financed for the real property. The appraisal shall be in a form and manner acceptable to DECD
  - The "to-be-developed" value using the market and income approaches may be used to determine the potential underwriting risk.
4. Loan to Value Ratio (LTV) - The loan to value ratio shall not exceed eighty (80%) percent of the lesser of the appraised market value or total replacement cost. This ratio may be increased to ninety (90%) percent if it is in the best interest of the State. This requirement may be modified or exempted for not-for-profit developers.
  5. Total Project Cost - The total project cost shall be evaluated based on the DECD Cost Guidelines, as adjusted from time to time. Adjustments due to extraordinary features, location, project type and time shall be given consideration.
  6. Loan Term and Rate - When DECD and CHFA financing is involved, the loan term shall be conterminous. The interest rate may be fixed or variable to the extent feasible or if it is in the best interest of the state.
  7. Developer's Equity - An Owner shall have a minimum continued financial interest in the development of at least two (2%) percent of total development cost for no less than ten (10) years. This requirement may be modified or exempted for not-for-profit developers.
  8. Return on Equity -
    - The Owner's equity in a development shall consist of the difference between the total amount of certified project costs whether or not such cost has been paid in cash or in a form other than cash and the total amount of mortgage and/or grant proceeds.
    - Return on equity shall be subject to an agreement between the DECD and the Owner limiting the Owner, and its principals or stockholders to a return on the Owner's equity in any development assisted by DECD. To the extent economically feasible, the cumulative cash return on equity shall be no greater than 10% per annum.
    - To the extent economically feasible, the cumulative cash return on equity shall be increased by up to an additional 2% for developments in areas designated as urban centers and urban conservation areas as defined in the State Plan of Conservation and Development.
  9. Developer's Fee - A developer's fee shall not exceed 10% of total development costs less cost of acquisition. When State Bond funds will be used to pay for a developer's fee, then the State Developer's Fee Regulations shall apply. When the developer's fee is paid from Federal HOME funds, the following schedule applies: 25% of the fee shall be paid at construction contract.

75% of fee shall be paid upon completion of initial rent-up in accordance with projections.

If actual total project costs exceed the budgeted TDC then the developer's fee must be used to defray the additional costs.

10. Administrator's Fee (Programs only) - An Administrator's fee shall not exceed 10% of the Total Development Cost.
11. Mortgage Insurance - Mortgage insurance or a form of credit enhancement shall be required in order to reduce the state's financial risk when a developer does not meet the debt service coverage ratio, unless the project receives an operating deficit reserve.
12. Bridge Loan Financing -
  - All sources of funds shall be available to the development prior to execution of a contract for DECD financial assistance. Funds derived from the syndication of Low Income Housing and/or Historic Tax Credits shall be available either from the syndication proceeds or bridge loan financing in an amount and manner satisfactory to the DECD. If there is an identity of interest between the lender and either the syndicator, the Owner, or the developer, the rate shall be a consistent with the Applicable Federal Rate (AFR) at closing of the DECD loan. The interest cost of financing the developer's fee shall not be recognized.
  - This requirement may be modified or exempted for not-for-profit developers.
  - HTF funds may be provided as interim bridge financing for non-profit applicants.
13. Syndication Costs - The costs of syndication shall not exceed a rate acceptable to the DECD based on fees as a percentage of syndication proceeds. DECD presently uses 2.5%. Syndication costs include all direct and indirect costs incurred in securing syndication proceeds, excluding any fee paid to the syndicator.
14. Rent Limitations - To the extent economically feasible, the maximum gross rents shall be set at a level affordable to the targeted income group(s) to be served; HOME program limitations or rents determined by market analysis and the ability to serve specified income groups.
15. Income Trends - To determine the loan limitation, income shall be forecast on an annual basis to the stabilized year as determined by the DECD based on relevant information, including Consumer Price Index (CPI) and other indices. Non-residential space income shall be determined by the market study. Presently use 2%.
16. Expense Trends -

- To determine the loan limitation, expenses shall be forecast on an annual basis to the stabilized year as determined by the DECD based on relevant information, including CPI and other indices. Presently use 3%.
- The only acceptable sources to lower tax trends shall be tax abatement and/or deferment agreements approved by the governing body of the municipality.

17. Vacancy Assumptions -

- Residential Properties - the vacancy rates shall be based on the percentage of the Area Median Income (AMI) of the intended tenant population as of the stabilized year (if multiple AMI, then blend rates):

AMI	Vacancy Rate
0 - 50%	2.5 - 5%
51- 80%	5.0 - 10%
+ Year 1	10 - 15%
Year 2	10 - 12%
Year 3	+10%

- Non-residential Properties - (when part of mainly residential project)
 

Year 1	20%
Year 2	15%

18. Reserve for Replacement -

- The project shall establish a reserve for replacement account that shall maintain an allowance sufficient for repair, replacement and maintenance depending on the type and location of housing in a form and manner acceptable to DECD. For the first year of operation use \$90 per unit per month for families and \$55 per unit per month for elderly. For subsequent years, the annual amount is to be established based on a Life Cycle Cost Analysis of the useful life of all major building systems.
- Reserve for Replacements plus any interest or other earnings thereon shall at all times remain with the project, even with changes in ownership.

19. Working Capital Reserve - A Working Capital Reserve may be required in accordance with the contract for financial assistance.

20. Cost Certification - The Owner's and the general contractor's cost certification is required within 60 days of the project's substantial completion date.

21. Restrictive Covenant - All projects will have a restrictive covenant identifying all DECD compliance requirements.

22. Funding Increase - When considering a funding increase the DECD shall use the same standards and criteria used to approve the original financing request.

## **Modifications/Exemptions**

The Commissioner may modify or exempt not-for-profit sponsored developments from these requirements for the following subsections: **Debt Service Coverage Ratio, Loan to Value Ratio, Developer's Equity and Mortgage Insurance**, if it is in the best interest of the State.

## **Underwriting Standards - Ownership Properties**

The following single-family (1-4 units) underwriting standards indicate the degree of risk associated with providing permanent financing. These standards may be revised as market and economic conditions dictate.

1. Both development subsidy and buyer subsidy may be made available under the program
2. Home ownership projects must ensure that the buyers housing costs (principal, interest, taxes, insurance, mortgage insurance, condo fees) relative to income meet affordability guidelines.
3. Housing Trust Funds will take no less than 3<sup>rd</sup> position in any mortgage subordination agreement
4. Restrictive Covenants: deed restrictions will be placed on the mortgage to ensure long-term affordability.

## **XIV. Compliance Monitoring Plan**

### **Programs:**

Under the HTF, DECD administers and provides general oversight of the HTF Program, monitors progress, develops policies and guidelines dealing with its operation and coordinates the involvement of the Advisory Committee.

At the sole discretion of the Commissioner of DECD, eligible applicant(s) may act as third party administrator(s) and may carry out program(s) and some of DECD's duties upon entering into contract(s) with DECD. In such case(s), eligible applicant(s) will be selected through a competitive process. If selected, third party administrator(s) will provide a detailed Program Plan with shall include a Compliance Monitoring Plan. At a minimum, the Compliance Monitoring Plan shall include:

The third party program administrator shall monitor to determine if a project is in compliance with the requirements of the HTF Program and contract for financial assistance. Once a project is completed (placed-in-service), it is third party program administrator 's responsibility to:

1. Perform periodic desk and/or file reviews and on-site visits as needed to ensure that the Owner and/or property management firm are operating the project in compliance with the contract for financial assistance. The areas to be reviewed for compliance may include, but are not limited to:

- Resident or tenant qualifications, income calculations and appropriate supporting documentation;
  - The gross rent payment and its components, including utility allowance;
  - The vacancy history of both HTF-assisted and market-rate units;
  - Resident or tenant selection;
  - On-going affirmative fair marketing efforts;
  - Housing quality standards;
  - Financial condition; and
  - Overall property management, if applicable.
2. Report any instances of noncompliance (past or present), when appropriate, to DECD, after giving the Owner appropriate time to correct the problem. The third party program administrator must retain records of any noncompliance for five years beyond the notice of noncompliance submitted to DECD.
  3. Maintain the information used to complete the compliance review for three years after the calendar year in which it was received.

DECD reserves the right to perform on-site inspections of any HTF financed project. The compliance period is established in the contract for financial assistance with the third party program administrator. **Note: The compliance period for HTF projects are stated in the contract for financial assistance and other regulatory or restrictive covenants, as may be applicable.**

Site visits to HTF projects with 1-4 units will be performed once every three years. Site visits to HTF projects with 5-25 units will be performed at least once every two years. Site visits to HTF properties with more than 25 units should be performed at least once a year. On-site inspections may be separate from any review of income certifications, supporting documentation and financial records. Monitoring shall include a “sufficient” (10-20%) random sample to insure statistical reliability. Monitoring must be expanded, if sampling identifies problems.

Third party program administrators will perform, prior to undertaking on-site inspection, a risk assessment to identify which Owners require comprehensive monitoring. High risk Owners include those that are:

1. New to the HTF Program or third party program administrator;
2. High turnover of staff;
3. Past performance or compliance problems;
4. Not submitting reports on time;
5. High vacancy rates; and
6. Weak or declining financial position.

DECD’s compliance monitoring requirements apply to all HTF projects, however, additional compliance requirements may be applicable from DECD or other funding sources in addition to those required under the HTF program. A third party program administrator may propose to utilize a compliance monitoring plan of another governmental lender provide DECD has access to working papers and reports from the

governmental agency; and the monitoring plan is more comprehensive than required under the HTF Program. If a third party program administrator or owner fails to comply with these requirements, DECD will notify the Executive and Legislative branches as part of its annual report.

**Projects:**

The third party program administrator shall monitor to determine if a project is in compliance with the requirements of the HTF Program and contract for financial assistance. Once a project is completed (placed-in-service), it is third party program administrator's responsibility to:

1. Perform periodic desk and/or file reviews and on-site visits as needed to ensure that the Owner and/or property management firm are operating the project in compliance with the contract for financial assistance. The areas to be reviewed for compliance may include, but are not limited to:
2. Resident or tenant qualifications, income calculations and appropriate supporting documentation;
3. The gross rent payment and its components, including utility allowance;
4. The vacancy history of both HTF-assisted and market-rate units;
5. Resident or tenant selection;
6. On-going affirmative fair marketing efforts;
7. Housing quality standards;
8. Financial condition; and
9. Overall property management, if applicable.
10. Report any instances of noncompliance (past or present), when appropriate, to DECD, after giving the Owner appropriate time to correct the problem. The third party program administrator must retain records of any noncompliance for five years beyond the notice of noncompliance submitted to DECD.
11. Maintain the information used to complete the compliance review for three years after the calendar year in which it was received.

DECD reserves the right to perform on-site inspections of any HTF financed project. The compliance period is established in the contract for financial assistance with the third party program administrator. **Note: The compliance period for HTF projects are stated in the contract for financial assistance and other regulatory or restrictive covenants, as may be applicable.**

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Third party program administrators will perform, prior to undertaking on-site inspection, a risk assessment to identify which Owners require comprehensive monitoring. High risk Owners include those that are:

1. New to the HTF Program or third party program administrator;
2. High turnover of staff;
3. Past performance or compliance problems;
4. Not submitting reports on time;
5. High vacancy rates; and
6. Weak or declining financial position.

DECD's compliance monitoring requirements apply to all HTF projects, however, additional compliance requirements may be applicable from DECD or other funding sources in addition to those required under the HTF program. A third party program administrator may propose to utilize a compliance monitoring plan of another governmental lender provide DECD has access to working papers and reports from the governmental agency; and the monitoring plan is more comprehensive than required under the HTF Program. If a third party program administrator or owner fails to comply with these requirements, DECD will notify the Executive and Legislative branches as part of its annual report.

## **XV. Record Keeping And Retention**

### **A. Record Keeping:**

The third party program administrator and the recipient of financial assistance under the HTF Program must keep records for each HTF unit in the project for each year of the compliance period and the extended use period. These records must include: (1) the total number of residential units (including the number of bedrooms and square footage of each residential rental unit); (2) the percentage of HTF units in the building; (3) the rent/housing cost charged for each HTF unit (including any utility allowances); (4) the number of occupants in each HTF unit; (5) rental only - the HTF unit vacancies and information that shows when, and to whom, the next available units are rented; (6) rental only - the annual income certification of each HTF tenant per unit; (7) homeownership only- the annual certification of each HTF owner that it remains their primary residence; (8) documentation to support each HTF tenant's income certification [Please Note: Tenant income is calculated in a manner consistent with the determination of annual income under Section 8 of the United States Housing Act of 1937 ("Section 8"), not in accordance with the calculation of gross income for federal income tax liability. Accordingly, in the case of a tenant receiving housing assistance payments under Section 8, the documentation requirement is satisfied if the public housing authority provides a statement to the building owner declaring that the tenant's income does not exceed the applicable income limit under Section 42(g) of the Code.]

### **B. Record Retention:**

The third party program administrator and the recipient of financial assistance shall retain the records required in subparagraph A of this section for at least five (5) years after the due date (with extensions) for filing the Federal income tax return for that year. The

records for the first year of the must be retained for at least five (5) years beyond the due date (with extensions) for filing the Federal income tax return for the last year of the compliance period of the building.

**C. Inspection Record Retention Provision:**

The recipient of financial assistance must retain the original local health, safety, or building code violation reports or notices that were issued by a state or local government unit for third party program administrator's inspection and submit copies with the annual certification. Retention of the original violation reports or notices is not required once third party program administrator reviews the violation reports or notices and completes its inspection, unless the violation remains uncorrected.

**XVI. Certification And Review**

**A. Certification:**

At least annually, for the entire compliance period and the extended use period, the recipient of financial assistance of a HTF housing project shall certify under penalty of perjury that, for the preceding twelve (12) month period, the project met the HTF program statutory and contractual requirements.

In addition, at least annually, for the entire compliance period and the extended use period, the recipient of financial assistance of a HTF housing project shall certify under penalty of perjury that: (a) the owner has received an annual income certification from each HTF tenant and documentation to support that certification; or in the case of a tenant receiving Section 8 housing assistance payments, the appropriate statement from a public housing authority as defined hereinafter; (b) each HTF unit in the project is rent restricted under the contract for financial assistance with third party program administrator and DECD; (c) all units in the project were for use by the general public, including the requirement that no finding of discrimination under the Fair Housing Act occurred for the project. A finding of discrimination includes an adverse final decision by the Secretary of the Department of Housing and Urban Development (HUD), an adverse final decision by a substantially equivalent state or local fair housing agency, or an adverse judgment from a federal court; (d) the buildings and HTF units in the project were suitable for occupancy, taking into account local health, safety and building codes (or other habitability standards), and the State or local government unit responsible for making local health, safety, or building code inspections did not issue a violation report for any building or low-income unit in the project. If a governmental unit issued a violation report or notice, the owner must attach a statement summarizing the violation report or notice or a copy of the violation report or notice to the annual certification submitted to third party program administrator. In addition, the recipient of financial assistance must state whether the violation has been corrected; (e) all tenant facilities of any building in the project, such as swimming pools, other recreational facilities, and parking areas, are provided on a comparable basis to all tenant; (f) if a HTF unit becomes vacant during the year, reasonable attempts are made to rent that unit to tenants having a qualifying income and, while the unit is vacant, no units of comparable or smaller size are rented to tenants not having a qualifying income; (g) if the income of tenants of a HTF unit increases above the



limit allowed by the HTF Program for continued occupancy, the next available unit of comparable or smaller size in the project will be rented to tenants having a qualifying income; (h) an extended HTF housing commitment was in effect, including the requirement that recipient of financial assistance cannot refuse to lease a unit to an applicant because the applicant holds a voucher or certificate of eligibility under Section 8 of the United States Housing Act of 1937; (i) all HTF units were used on a non-transient basis (except for transitional housing for the homeless) or single-room-occupancy units rented on a month-by-month basis; and (j) there has been no change in the ownership or management of the project. [Note: The certifications made in and required by this paragraph A shall be provided on DECD forms.]

B. Review:

1. The recipient of financial assistance shall submit the certification forms required by A. above to the third party program administrator.
2. The third party program administrator will review annually all certifications submitted by the owner and may review such other certifications and supporting documentation and rent records of low-income tenants or perform an inspection thereof as may be necessary or appropriate in the sole discretion of DECD to determine compliance with the HTF program requirements.
3. DECD will update housing income and rent limits and make them available annually.
4. With respect to each HTF rental housing project: (a) third party program administrator may conduct on-site inspections of all buildings in the project by the end of the second calendar year following the year the last building in the project is placed in service and, for at least 20 percent (or a minimum of three (3) ) of the project's HTF units, inspect the units and review the income certifications, the documentation supporting the certifications, and the rent records for the tenants in those units; (b) at least once every three years, third party program administrator will conduct on-site inspections of all buildings in the project and, for at least 20 percent (or a minimum of three (3)) of the project's HTF units, inspect the units and review the income certifications, the documentation supporting the certifications, and the rent records for the tenants in those units; (c) third party program administrator will randomly select which HTF units and tenant records are to be inspected and reviewed by third party program administrator. The review of tenant records may be undertaken wherever the owner maintains or stores the records (either on-site or offsite) but must be within the borders of the State. The units and tenant records to be inspected and reviewed will be chosen in a manner that will not give owners advance notice that a unit and tenant records for a particular year will or will not be inspected and reviewed. However, third party program administrator may give an owner reasonable notice that an inspection of the building and HTF units or tenant record review will occur so that the owner may notify tenants of the inspection or assemble tenant records for review; and (d) On-site inspections of buildings and HTF units will include a review of any local health, safety, or building code violations reports or notices required to be retained by the owner and will determine: (i) whether the buildings and

units are suitable for occupancy, taking into account local health, safety, and building codes (or other habitability standards); or (ii) whether the buildings and units satisfy, as determined by third party program administrator, the uniform physical condition standards for public housing established by HUD (24 CFR 5.703).

5. Special Rules:

The review provisions required in Section 4. above do not apply to the following exempted buildings financed by: (a) Rural Housing Service (“RHS”) under its Section 515 program; (b) HUD under HOPE VI and Section 202 programs; (c) CHFA under its mortgage programs; (d) projects administered by CHFA under the federal Low-Income Tax Credit Program; (e) other governmental programs. [Note: In order for these buildings to be exempt, third party program administrator must have entered into an agreement with RHS, HUD, CHFA or other governmental entity. Under this agreement they must agree to provide information on income, assets and rent of the tenants in the building to third party program administrator and DECD. The third party program administrator will review the information and determine that the income limitation and rent restrictions are met. DECD reserves the right, at its sole discretion, to make inspections and require additional reports of exempted projects that it deems necessary to ensure compliance with the HTF Program throughout the compliance period.

Notwithstanding anything to the contrary, the owner of any exempted buildings must: (a) certify to third party program administrator that the building complies with the requirements for RHS, HUD or CHFA assistance, as applicable; (b) make the certifications required by subparagraph A above; and (c) provide third party program administrator with additional information where, in the sole discretion of DECD, the information submitted by RHS, HUD, CHFA or other governmental entity is not sufficient.

**XVII. Certification And Review**

A. Certification:

At least annually, for the entire compliance period and the extended use period, the recipient of financial assistance of a HTF housing project shall certify under penalty of perjury that, for the preceding twelve (12) month period, the project met the HTF program statutory and contractual requirements.

B. Notification Of Non-Compliance:

The third party program administrator shall give both the owner of the HTF housing project the notices described herein: (a) third party program administrator shall provide the owner of the HTF housing project with prompt written notice if third party program administrator fails to receive the certifications described in Section A. above or does not receive or is not permitted to inspect the tenant certifications, supporting documentation and rent records or discovers by inspection, review, or in some other manner, that the project is not in compliance with the provisions of HTF program; (b) the owners of HTF projects shall have 30 days from the date of the notice to supply any missing certifications and bring the project into compliance with the provisions of the HTF program; (c) the correction period may be extended, in the sole discretion of DECD, for up to an additional

60 days upon the written appeal of the owner (received on or before the expiration of the 30-day period described in (b) above requesting such an extension, if DECD determines, in its sole opinion, that: (i) the owner is making a good faith effort to provide the missing information and/or bring the project into compliance; and (ii) such additional time is necessary for such purposes; (d) DECD may thereafter extend the correction period for up to six (6) months, but only if DECD determines, in its sole and exclusive discretion, that there is good cause for granting the extension.

#### **XVIII. Liability & Delegation**

A. Compliance with the requirements of HTF Program is sole responsibility of the owner of the building for which the HTF funds were allocated. The third party program administrator 's obligation to monitor for compliance with the requirements of HTF Program does not make it liable for an owner's noncompliance.

- i. With the prior approval of the DECD, The third party program administrator may choose to delegate all or a portion of its compliance monitoring responsibilities to an agent or other private contractor.

**Attachment A**  
**PROPOSED HOUSING TRUST FUND PRIORITIES FOR FUNDING**

Priority (Tier)	Goal	Geography	Project Type	Income Levels	Bonus Score for:	Max per unit subsidy
I	Expand housing choice by creating and financing affordable housing in high cost and high income areas	Areas where average housing cost exceeds what median income family can afford	Rental	30% of median or less	Linkage to human services; proximity to transportation; long term affordability	\$75,000
I		Priority on communities where affordable housing supply is less than 10%			Energy efficiency, transit-oriented design, open/space farmland preservation; cluster housing	
I				80% of median or less	Energy efficiency, transit-oriented design, open/space farmland preservation; cluster housing	\$50,000
I			Affordable homeownership	50-100% of AMI	Priority for 1 <sup>st</sup> time buyers; complementary homeownership training; long-term affordability	\$50,000
I					Energy efficiency, transit-oriented design, open/space farmland preservation; cluster housing	
I			Mixed Use	50-100% of AMI on residential	Location in neighborhood commercial corridor or downtown; creation of permanent CT jobs; creation of community facilities	\$50,000
I					Energy efficiency, transit-oriented design, open/space farmland preservation; cluster housing	
I	Create and finance housing that promotes community revitalization in low and moderate income areas	Urban Centers; low and moderate income rural town centers	Homeownership	Up to 80% of AMI	Rehabilitation of vacant and/or blighted structures; historic preservation; provision for first time homebuyers	\$75,000
I					Energy efficiency; transit oriented design; complementary homeownership training	

Priority (Tier)	Goal	Geography	Project Type	Income Levels	Bonus Score for:	Max per unit subsidy
I				80% to 120% of AMI	Rehabilitation of vacant and/or blighted structures; historic preservation; provision for first time homebuyers	\$50,000
I					Energy efficiency; transit oriented design; complementary homeownership training	
I			Mixed Use	Up to 120% of AMI on residential	Location in neighborhood commercial corridor or downtown; creation of permanent CT jobs; creation of community facilities	\$50,000
I	Preserve affordable housing	Statewide	Rental, Homeownership	30% of median or less	Linkage to human services; proximity to transportation; long term affordability	\$75,000
I					Energy efficiency, transit-oriented design, open space/farmland preservation; cluster housing	
I		Priority on communities where affordable housing supply is less than 10%		80% of median or less	Linkage to human services; proximity to transportation; long term affordability	\$50,000
I					Energy efficiency, transit-oriented design, open space/farmland preservation; cluster housing	
I	Create and finance housing that aids in the retention and recruitment of a quality workforce	Statewide, Priority on high cost areas	Rental	60% of median and below	Linkage to human services; proximity to transportation and jobs; long term affordability	\$75,000
I				Up to 120% of AMI	Employer assisted/sponsored housing; housing as part of a comprehensive economic and community development assistance package	
I					Location in neighborhood commercial corridor or downtown; creation of permanent CT jobs; creation of community facilities; transit-oriented design; preservation of farmland or open space; energy efficiency	

Priority (Tier)	Goal	Geography	Project Type	Income Levels	Bonus Score for:	Max per unit subsidy
I			Affordable homeownership	Up to 120% of AMI	Priority for 1 <sup>st</sup> time buyers; complementary homeownership training; long-term affordability	\$50,000
I					Location in neighborhood commercial corridor or downtown; creation of permanent CT jobs; creation of community facilities; transit oriented design; preservation of farmland or open space; energy efficiency	
I					Energy efficiency, transit-oriented design, open/space farmland preservation; cluster housing	
I			Mixed Income	Up to 120% of AMI; (May include non-restricted, non-subsidized homes within the overall project)	Provision for residents at 30% of median income or below; long-term affordability	\$50,000
I					Rehabilitation of vacant and/or blighted structures; historic preservation; Energy efficiency; transit oriented design	
I			Mixed Use	Up to 120% of AMI on residential	Location in neighborhood commercial corridor or downtown; creation of permanent CT jobs; creation of community facilities	\$50,000
I					Energy efficiency, transit-oriented design, open/space farmland preservation; cluster housing	

Priority (Tier)	Goal	Geography	Project Type	Income Levels	Bonus Score for:	Max per unit subsidy
II	Create and finance affordable housing to serve low and moderate income residents	Geographic areas not served in Tier I	Rental	80% of median or less	Provision for residents at 30% of median income or below, long-term affordability	\$50,000
II					Energy efficiency, transit-oriented design, open/space farmland preservation; cluster housing	
II		Urban centers; low and moderate income rural town centers	Rental	Up to 120% of median	Priority for development that have major positive impact on neighborhood revitalization efforts	\$50,000
II					Historic preservation; energy efficiency; revitalization of blighted properties; transit oriented design	
II	Create and finance housing that serves the housing and service needs of low and moderate income elderly	Low and moderate income communities	Rental, assisted living	60% of median or less	Location close to transportation and services	\$50,000
II					Energy efficiency, provision for residents at 30% of median income or below, long-term affordability	
II	Create and finance permanent housing as an alternative to homelessness	Statewide, Priority on high cost areas	Rental	30% of median or less	Linkage to human services; proximity transportation; long term affordability	\$75,000
II					Energy efficiency, transit-oriented design, open/space farmland preservation; cluster housing	

### Maximum Award Amount

Many worthwhile affordable housing projects have significant funding gaps. Because of the limitation on funds available to the HTF and a desire to fund as many projects throughout the state as possible, a limit of the lesser of \$2,000,000 per project or \$50,000 per assisted unit has been established for allocation of HTF\*. The maximum award to a CDFI shall not exceed \$3,000,000.

\*Important notes: In addition to the noted instances in section VII. of the Proposed Housing Trust Fund Priorities for Funding the Department of Economic and Community Development has the authority to exceed the maximum per unit subsidy amount if the applicant makes the case that extraordinary benefits will accrue to the community.

Bonus points will be awarded to the applicant that uses less than the maximum per unit subsidy.

10 points if HTF \$'s are less than 20% of the subsidy limit
8 points if HTF \$'s are 20% to 39% of the subsidy limit
6 points if HTF \$'s are 40% to 59% of the subsidy limit
4 points if HTF \$'s are 60% to 79% of the subsidy limit
2 points if HTF \$'s are 80% to 99% of the subsidy limit
0 points if HTF \$'s are 100% of the subsidy limit

A total amount of ten (10) Bonus Points will be awarded to the program administrators who do not request Housing Trust Fund Administrative fees.



## Appendix H

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### STATE OF CONNECTICUT REGULATION OF

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#### SECTION \_\_

The Regulations of Connecticut State Agencies are amended by adding sections 8-XX-1 to 8-XX-5 inclusive, as follows:

(NEW) Section 8-XX-1. Definitions.

For the purposes of sections 8-XX-1 to 8-XX-5, inclusive, of the Regulations of Connecticut State Agencies:

- (1) “Act” means Public Act 05-05 of the June Special Session;
- (2) “Advisory Committee” means a committee appointed by the Commissioner pursuant to section 22 (b) of the act;
- (3) “Affordability Gap” means the financing necessary to make rents or home prices affordable;

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- (4) “Appraisal Gap” means the difference between the appraised value of an owner-occupied single-family dwelling, not to exceed four (4) units in a single building after construction and/or renovations have been completed and total development cost. Financial assistance to close all of or a portion of the appraisal gap may be in the form of a developer’s subsidy;
- (5) “Authority” means the Connecticut Housing Finance Authority;
- (6) “Commissioner” means the Commissioner of the Department of Economic and Community Development;
- (7) “Department” means the Department of Economic and Community Development;
- (8) “Developer’s Subsidy” means financial assistance to an eligible applicant which is intended to further the goals of the act by offsetting acquisition and or construction costs and other related development costs in order to make rents or home prices affordable to low and moderate income families and persons;
- (9) “Development Finance Gap” means the difference between the total development costs and the amount of financing available to produce the development.
- (10) “Eligible applicant” or “applicant” means any “Eligible applicant” as defined in section 16 of the act;
- (11) “Financial Assistance” means proceeds of the fund, which may be in the form of grants, recoverable grants, loans, loan guarantees, loan participations, equity investments, or other financing vehicles consistent with the act as approved by the Commissioner. Financial assistance may be used to support development investment, which shall include but not be limited to, predevelopment activities, site acquisition, bridge financing, construction

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financing or permanent financing. Funds may also be used to support programs that further the development goals established by the act.

- (12) "Housing", "housing development" or "development" means "Housing", "housing development" or "development" as defined under section 16(5) of the act and shall include mixed-income developments and mixed-use developments.
- (13) "Housing Trust Fund" or "fund" means the "Housing Trust Fund" established under section 20 of the act;
- (14) "Housing Trust Fund Program" or "program" means the "housing trust fund program" developed and administered under section 21 of the act;
- (15) "Individual Development Account" or "IDA" means "Individual development account" as defined in section 31-51ww (13) of the Connecticut General Statutes;
- (16) "Low and moderate income families and persons" means families and persons whose income falls within the income levels as set by the commissioner, to enable them, without financial assistance, to live in decent, safe and sanitary dwellings, without overcrowding. The commissioner may establish income levels up to and including one hundred twenty per cent of the area median income, as determined by the United States Department of Housing and Urban Development;
- (17) "Municipal developer" means a municipality acting by and through its legislative body, except that in any town in which a town meeting or representative town meeting is the legislative body, "municipal developer" means the board of selectmen if such board is authorized to act as the municipal developer by the town meeting or representative town meeting.

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- (18) "Owner-occupied single-family dwelling" means a house, condominium, residential housing consisting of four or less family units, town house, town home, housing cooperatives and manufactured or mobile home. The homeowner must occupy the property as their primary residence;
- (19) "Primary Purpose" means a majority of the units are for low and moderate-income families and persons and shall include, but not be limited to, mixed-use developments;
- (20) "Secretary" means the "Secretary of the Office of Policy and Management"; and
- (21) "Treasurer" means the "State Treasurer" and includes each successor in office or authority.

(NEW) Sec. 8-XX-2 Project selection process

- (a) Applicants for financial assistance shall submit a written application to the Commissioner, which will be reviewed on a competitive basis as required by the act. Applications shall be in such form and include such information as the commissioner may require. Failure to provide the required information shall be grounds for the rejection of an application. The commissioner may, at any time in the selection process, request and consider any additional information which, in the opinion of the commissioner, is required to properly evaluate an application.
- (b) Projects will be selected by the commissioner on a competitive basis based on the criteria for rating applications or proposals that have been established pursuant to section 22 of the act.
- (c) Applicants will be advised whether their project will be funded not later than the conclusion of the selection process for each funding round.
- (d) Funding approvals shall be in writing and shall be contingent on the execution of an assistance agreement between the state and the applicant.

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- (e) The Commissioner, in consultation with the advisory committee, shall develop a procedures manual, which outlines what information will be requested of applicants. This manual shall be posted on the department's website.
- (f) Notices of funding availability will be posted on the websites of the Department and the Department of Administrative Services. In addition, the Department will work with interested parties to share and distribute such notices.

**(NEW) Sec. 8-XX-3 Criteria for Rating Proposals**

- (a) Criteria for rating proposals shall be established by the commissioner in consultation with the Treasurer, the Secretary of the Office of Policy and Management and the Connecticut Housing Finance Authority and after consideration of the recommendations of the advisory committee established by section 22 of the act.
- (b) The advisory committee shall meet at least semiannually to review and advise the Commissioner on the criteria for rating proposals. These criteria shall include, but not be limited to, the following:
  - (1) Capacity of the applicant, including prior performance of the applicant and/or development teams;
  - (2) Development Need and Marketability;
  - (3) Financial Feasibility of the development;
  - (4) Community Impact;
  - (5) Fair Housing and Equal Opportunity;
  - (6) Consistency with the following:
    - (a) The State Long Range Housing Plan, established pursuant to section 8-37t of the Connecticut General Statutes; and

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- (b) The Conservation and Development Plan and Policies, established pursuant to sections 16a-24 through 16a-33 of the Connecticut General Statutes;
- (7) Availability of other sources of funding;
- (8) Annual Housing Market Conditions; and
- (9) The ability of the applicant's proposal to further one or more of the goals of the program as set forth in section 21 of the act.

(NEW) Sec. 8-XX-4 Financials: Reporting and access to records

- (a) Following the Commissioner's selection of an applicant to participate in the program, the applicant shall, as soon as possible following the completion of the development, but no later than three (3) months after the completion of the development, file with the department a bank statement showing the balance, if any, of unexpended funds for the development. Any such unexpended funds shown on said bank statement must be immediately repaid to the department.
- (b) Approved applicants shall be required to enter onto financial assistance documents which shall set forth, as part of the standard terms and conditions, the circumstances under which financial assistance maybe revoked and under which the applicant can be declared in default by the department.
- (c) Each applicant shall maintain all business and financial records required by the commissioner, including, but not limited to complete and accurate books, records and contract documents, for the development.

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- (d) Each applicant shall furnish the Commissioner with financial statements and other reports related to the program and housing development(s) financed in whole or in part, by such program, in such detail and at such times as the Commissioner may require.
- (e) At any time during the regular business hours, and as often as the Commissioner may require, the Commissioner or representatives of the Commissioner shall be entitled to full and free access to accounts, records, books, documents or other records of any program, applicant, and/or development financed whole or in part by the trust fund. Said access shall include the right to make excerpts, copies or transcripts from such accounts, records, books and documents.
- (f) An approved applicant will be subject to audits of all development books and records in accordance with the Department's standard procedures and guidelines. Any funds, which the audit reveals to have been improperly expended, shall be immediately due and payable to the Department.

**(NEW) Sec. 8-XX-5 Individual Development Accounts**

- (a) In each fiscal year that the fund has monies available for distribution the first three hundred thousand dollars shall be set aside in order provide matching grants to be used solely for funding the purchase of a primary residence by the holder of an individual development account in accordance with the provisions of sections 31-51ww to 31-51eee inclusive of the Connecticut General Statutes. Said funds shall be administered by the State Labor Department consistent with the individual development account programs and section 31-51ddd-1 to 31-51---, inclusive, of the Regulations of Connecticut State Agencies.

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- (b) At the end of every fiscal year, any unexpended funds shall carry forward within the individual development account for one additional fiscal year.

**Statement of Purpose:** To implement sections 16-22 of Public Act 05-05 (JSS) which establishes a Housing Trust Fund Program and requires the Commissioner of the Department of Economic and Community Development, in Consultation with the Treasurer's Office, the Secretary of the Office of Policy and Management and the Connecticut Housing Finance Authority, to establish regulations and criteria for rating various proposals for funds under the Housing Trust Fund Program.